

CHAPTER 1

INTRODUCTION AND OVERVIEW

1.1 PURPOSE

Public use airports are a considerable asset to the national and regional aviation system, yet they also can have significant noise and other impacts on the neighborhoods surrounding them. This Business Plan was prepared at the direction of the Renton City Council to review the business potential for Renton Municipal Airport and develop a plan for the management and operation of the airport that addresses both the needs of the aviation community and the neighborhoods surrounding the airport. This Business Plan provides an analysis of the alternative management approaches Renton can take to manage the airport in a fashion that supports the community's vision and goals. It attempts to answer the following questions¹:

- What is the City of Renton's best use of its airport asset over the next 20 years and how should growth be addressed?
- What role does Renton Airport play in the regional aviation system and what are the implications of the City's choices for the airport, made through this Business Plan, for the rest of the system?
- What is the community's vision for the airport over the next 20 years and why?
- What does the Renton Municipal Airport consist of in terms of available space and types of usage?
- What is the City's best approach to managing that usage and growth; for example, what are the pros and cons of the City managing facilities directly instead of through tenants?
- What does the City need to do to ensure that available sites and tenancies are operated in a non-discriminatory manner as prescribed by federal law? And:
- How can the highest standards of tenancy be assured through City procedures?

In answering these questions, the Business Plan assumes that Boeing, whose leaseholds on the airport run until 2010, will continue its presence on the field beyond that point. Nevertheless, with all the geographic changes of the past few years at Boeing, and with the normal difficulties of making projections 20 years into the future, the analysis examines in brief the possibilities and problems that would be opened up by a Renton Airport without Boeing. A Boeing departure from the field would substantially increase the available space for other activities and pose the same questions in a more substantial way.

¹ A summary of the Scope of Work is provided in Appendix A.

1.2 WHAT THIS BUSINESS PLAN IS

It is a management alternatives study: The analysis attempts to determine the best way to manage the airport. The spectrum of options ranges from maintaining the *status quo* to having the City manage all the buildings, sell fuel and provide other aviation services. Within this range, as requested, the scenario that is addressed in most detail is one with City management of buildings as their leases expire and revert. This is discussed more fully in Chapter 6.

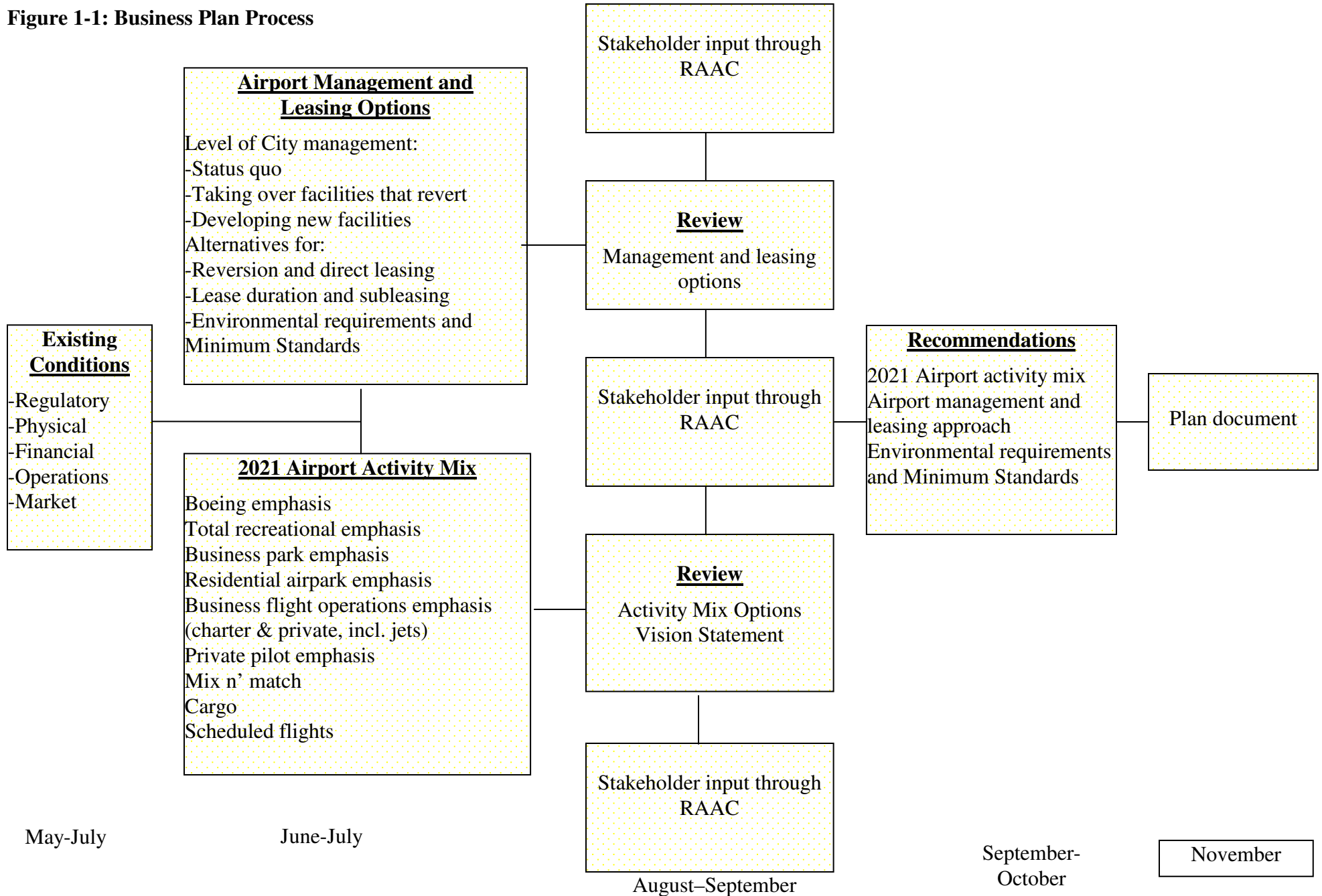
It is a study of the possible future activity mix: In the 20-year timeframe, airport activity could stay at the same level and the same mix (unlikely because of outside growth pressures); it could grow evenly across existing activity areas, or some areas could grow more than others. Some could disappear altogether and be replaced by others. While some of this is controlled by the strength of the various sectors of the aviation market, never the less, the City, as owner of the field and provider of the basic infrastructure, can shift priorities to encourage or discourage certain types of activity and to attract certain types of tenants more than other types. While the City is bound by FAA non-discrimination requirements—this means that it cannot or should not favor one tenant or aviation business over another—it can focus on and take steps to encourage certain types of aviation business more than others, as long as no single potential tenant or type of business is favored more than another of the same type.

Finally, it is a study on leasing standards, policies and procedures: The Rules and Regulations and Minimum Standards for Aeronautical Services governing the activities of tenants and transient aircraft on the airport are 12 years old and do not contain sufficient guidance. This makes it more difficult for the airport manager to run the airport and ensure that tenants provide the services and meet performance and facility standards required at the airport. There is a need for a thorough review and update of both the Minimum Standards and Rules and Regulations governing the airport. The lack of clear standards and guidelines for the operation of the airport has led to some frustration on the part of tenants who would like a set of rules and guidelines that is equitable and applied equally to all tenants.

Since the airport is the property owner and bound to treat all tenants and potential tenants in a non-discriminatory fashion, it is valuable to have written guidelines with regard to the standards prospective tenants must meet and the policies and procedures that guide the implementation of new and the management of existing leases. This is addressed in Chapter 7.

Figure 1-1, on the following page, shows how the technical work flows into the draft final report.

Figure 1-1: Business Plan Process



About Business Plans in General: It is unusual for an airport, especially a general aviation airport, to do a business plan. This Business Plan addresses many of the areas that a private sector plan would address, for example, an industry overview and market analysis about trends and competition, a discussion about products and services and possible future changes, a review of the legal and regulatory context, and the management policies and procedures being used in the conduct of the business. Most company business plans would not be quite as broad in scope as this project—for example they would project business activity such as sales and revenues out for maybe three years at the most. Such a plan would address some topics that were not part of this scope such as a personnel plan, a business facilities plan, and sources of financing for any business expansion. This Plan was in fact scoped to be more of a strategic plan than a business plan *per se*. The Plan is slated to look at a 20-year time horizon with firmer information for the 10-year horizon. Since the last lease expires in 2029, the business plan recommendations will have implications far beyond the 20-year timeframe. The recommendations for the first 5 years are likely to be strongest, with the longer term actions depending on which of three scenarios comes to pass: 1) Boeing extends its lease beyond the current 2010; 2) Boeing partially reduces its leasehold after 2010; and 3) Boeing does not renew its lease in 2010. Therefore, the Plan should be updated every 5-10 years as conditions change.

1.3 WHAT THIS BUSINESS PLAN IS NOT

It is not an Airport Master Plan: The most recent airport Master Plan was published in 1997. Like all airport Master Plans, it focuses on physical facilities and the costs of needed improvements. Its primary outcomes are an Airport Layout Plan (ALP) depicting the future uses on the field, and a capital needs plan. This current study builds on the Master Plan. However, it is not a Master Plan update because it focuses more on how to manage the assets that already exist, than on how to improve those assets by new capital investments.

It is not a Noise Study²: The Business Plan touches on airport noise as a major consideration in the selection of the best airport future. However, it is not a formal noise study. The usual airport noise study is commonly known as a Part 150 study, since its guiding procedures stem from the aviation Code of Federal Regulations, 14 CFR Part 150. Part 150 studies examine the mix of activity at an airport, project it 10 years into the future based on known trends and policies, develop present and future noise contours, and offer noise remediation policies.

It is not an engineering or facility assessment study: In order to have a complete assessment of the buildings and infrastructure on the airport, it would be necessary to inventory all utilities and buildings with their locations and conditions. This data is currently available in approximate form sufficient for policy development; however this

² Noise issues are conceptually addressed in Appendix B, a “Noise White Paper” developed for Renton’s Airport Advisory Committee, November 16, 2001.

study does not include any new engineering fieldwork to identify the locations and conditions of sewer, water and electrical infrastructure, or building condition.

A building assessment would require detailed inspections of all buildings with regard to building code compliance, including matters that may not have been law when the building was built e.g. compliance with the Americans with Disabilities Act (ADA), seismic codes, and asbestos and other contamination standards. It would have to examine the useful life of each building element and determine whether a remodel would be cost-effective, or whether demolition would be more appropriate. Such studies are very costly and need to be done on a case-by-case basis as properties change status. They are not appropriate for an airport-wide policy study. This issue is discussed further in Chapter 6.

It is not an economic impact study: Many airports and regional aviation systems have undertaken studies to identify the dollar and intangible benefits from an airport to the local and regional economy. This is usually measured in direct and indirect jobs and gross regional product resulting from the presence of the airport. This study touches in some depth on the businesses that are operating at Renton; their contributions to the economy can be inferred, but it is not a full economic impact or benefits study.

1.4 HANSON TEAM ROLES

Hanson Professional Services³ (formerly Hanson Engineers) was selected as the prime consultant for this study. Hanson's role includes managing the overall project and communications with the stakeholders; taking the lead on inventorying current facilities and activities, leading the work on management alternatives and assembling the report. Other members of the team are BST, a local financial, market and economic analysis company, and Spiegel & McDiarmid, a national law firm whose aviation group specializes in assisting airport sponsors. BST led the aviation regional and local marketing analysis and forecasts, and Spiegel & McDiarmid focused on leasing policy and standards.

1.5 METHODOLOGY

1.5.1 Inventory

Airport background information was assembled covering three areas:

- **Key airport users and their activity levels** through the surveys mentioned below and data collected from the Puget Sound Regional Council and the FAA;
- **Airport physical facilities and their status** from existing lease documents, tenant interviews and limited facility inspections; and

³ Hanson Professional Services Inc., Bellevue, WA 98004.

- **Airport operational procedures** from the City's existing rules and regulations and minimum standards for the airport.

1.5.2 Industry Consultations

Gathering information from other places is valuable. Web-based research makes it much easier than in the past. The study approach has tapped the expertise and on-line libraries of such entities as:

- Federal Aviation Administration (FAA);
- American Association of Airport Executives (AAAE);
- National Air Transportation Association (NATA) – the airport businesses' professional group;
- National Business Aviation Association (NBAA) – the association of corporations and businesses who depend on air transportation to conduct business;
- Aircraft Owners and Pilots Association (AOPA);
- National Association of State Aviation Officials (NASAO);
- California Aviation Alliance representing airports, airport-based businesses and pilots;
- State aviation agencies; and
- Local jurisdictions with various airport management strategies.

1.5.3 Operator Interviews

The consultant team—members of Hanson or BST—met with and gathered present and future activity data and issues and concerns from all key airport tenants and sub-tenants.

1.5.4 Leaseholder Meeting

A meeting was held and all leaseholders and subtenants invited to attend. The discussion was far-reaching and addressed many issues and concerns of relevance to the development of the Business Plan.

1.5.5 Renton Airport Advisory Committee (RAAC)

The RAAC was assigned by the Renton City Council Transportation/Aviation Committee to review the 50% draft Business Plan. The composition of the RAAC and the interests represented by its members are listed in Appendix C. The committee received a

draft version of this document in early August, 2001 and met almost weekly through mid-October to evaluate the materials and provide feedback. Recommendations from the RAAC were provided to the Council Transportation Committee on October 16.

Many of these recommendations addressed airport noise and were folded into the Noise White Paper⁴. A number of other concerns and recommendations raised by the RAAC but not part of the Business Plan scope are the subject of a separate memo to the client. The Business Plan recommendations, showing RAAC and City Administration positions, are shown and discussed in Chapter 9, Recommendations.

1.5.6 Market Analysis and Forecasting Through Consultation with Regional Agencies

The market analysis and forecasting conducted in this study made use of data from a number of regional agencies. The basis of much of the work was the Regional Airport System Plan (RASP), recently completed by the Puget Sound Regional Council (PSRC). The information from the RASP was updated with new information from the first drafts of the Boeing Field Master Plan and Auburn Municipal Airport Master Plan, as well as with Renton-specific information from the Renton Airport Master Plan. In addition, information was provided by the Aeronautics Division of the Washington State Department of Transportation.

1.5.7 Comparative Airport Analysis

The consultant scope of work called for examining 3-5 comparable airports to identify any useful guidelines for Renton. Renton Airport is somewhat unique, for example in combining a seaplane facility with a reliever airport. It is also one of only a few airports that are home to Boeing aircraft production and testing. For the purposes of the comparative analysis, the study team's focus was on airports that manage their buildings directly rather than leasing raw sites to aviation businesses to develop.

The list of airports consulted about their leasing practices can be found in Chapter 5; leasing practices are outlined in Chapters 6 and 7.

1.5.8 Leasing Analysis

All current and past airport leases were gathered and examined to identify the status of each leasehold. All leaseholds were mapped to provide the information in graphic form. The results of this work are found in Chapter 3.⁵

⁴ See footnote 2.

⁵ This final version of the Business Plan contains an updated snapshot of all leaseholds and lease rates as of December 2002, when the document was adopted by the City Council. Appendix H provides a draft recommended Leasing Policy and the Leasing Policy adopted by the City Council in December 2002. The latter will guide all future lease agreements at the airport.

1.6 COMPONENTS OF THIS BUSINESS PLAN

This document contains the following:

Chapter 1: **Introduction and Overview**—An introduction to the Business Plan, outline of the methodology used, description of the work carried out to develop the plan, and a listing of the components of the plan.

Chapter 2: **Context**—An overview of the general aviation, regulatory, and community environment of Renton Municipal Airport.

Chapter 3: **Renton Municipal Airport Today**—An overview of existing policies and procedures related to the airport, a description of the tenants and their activities, an analysis of the leasable land and related utilities on the airport and an overview of airport funding.

Chapter 4: **Aviation Activity Trends**—An overview of current general aviation trends, focusing on pilot licenses, based aircraft, aircraft operations, with a brief analysis of the services required for general aviation in the future.

Chapter 5: **Context for Airport Leasing and Management**—A brief description of the unique nature of the aviation business and its implications for airport management and leasing policies, a listing of comparison airports used in the analysis and an overview of federal and state regulations guiding airport management and leasing.

Chapter 6: **Reversion and Direct Management of Airport Facilities**—A review of reversion and direct management options.

Chapter 7: **Lease Duration, Subleasing and Lease Rates**—An analysis of approaches to lease duration, subleasing and lease rates used by airports in the U.S.

Chapter 8: **Environmental Requirements and Minimum Standards**—An evaluation of the environmental requirements for airport tenants and a brief review of minimum standards for aeronautical service providers.

Chapter 9: **Recommendations**—A discussion of the airport alternatives, evaluation of the recommendations based on criteria and developed for this Business Plan by the RAAC and the consultant team.